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UNDP: TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES

Report of the Administrator

SUMMARY

The present report traces the activities supported by the Special Unit for TCDC with the resources provided under Executive Board decision 95/23 for the period 1997-1998. It highlights the Unit's role in fostering South-South exchanges of expertise and practical experiences, policy dialogue and partnership-building, the broadening of South-South channels of communication, the sharing of best practices, as well as efforts to promote policy coherence and a coordinated approach to technical cooperation among developing countries in the United Nations system.

A recommendation for Executive Board action is contained in chapter VII.

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I. PURPOSE

1. The present report provides information on technical cooperation among developing countries (TCDC) during the biennium 1997-1998.

II. INTRODUCTION

2. Pursuant to General Assembly resolution 49/96 of 19 December 1994, the Special Unit for TCDC (SU/TCDC) carried out wide-ranging consultations that led to the formulation of comprehensive proposals contained in the 1995 report entitled "New Directions for Technical Cooperation among Developing Countries". This document, subsequently endorsed by the High-level Committee on the Review of Technical Cooperation among Developing Countries in its decision 9/2 of 6 June 1995, the Executive Board of UNDP and UNFPA, in its decision 95/19 of 14 June 1995, and the General Assembly in its decision 50/119, principally proposed that the TCDC process focus on strategic initiatives that were likely to have a major impact on a large number of developing countries in critical areas such as trade and investment, debt, the environment, poverty alleviation, production and employment, macroeconomic policy coordination, and aid management.[1] In its resolution 50/119, of December 1995, the General Assembly endorsed the recommendations contained in the New Directions report and called upon all governments, relevant United Nations organizations and multilateral financial institutions to consider increasing allocations of resources for TCDC.

3. In recognition of the importance of TCDC, in its decision 95/23 of 16 June 1995 the Executive Board allocated 0.5 per cent of UNDP core resources for such activities. Subsequently, to ensure the effective use of the resources, the Special Unit developed the first cooperation framework for TCDC, 1997-1999 (DP/CF/TCDC/1), which was noted by the Executive Board at its second regular session 1997.

4. In implementing the cooperation framework for TCDC, the Special Unit has pursued a strategy of capacity- and partnership-building for the expansion of TCDC. Its programming has been rationalized to concentrate on initiatives that are both innovative and replicable and have the potential to attract financial backing by other partners to establish or consolidate long-term collaborative partnerships.

5. During the period under review, the TCDC programme has assisted in: (a) facilitating the exchange of expertise and the strengthening of operational networks among developing countries in the priority areas recommended by the New Directions report; (b) deepening South-South policy dialogue and intellectual exchanges on critical issues of development within the context of globalization; (c) enhancing South-South channels of communication and the sharing of best practices; and (d) mobilizing broad-based support for TCDC and economic cooperation among developing countries (ECDC) within the United Nations system and throughout the global community.

III. SOUTH-SOUTH EXCHANGES OF EXPERTISE AND SUPPORT FOR OPERATIONAL NETWORKS

6. The Special Unit worked with a broad array of networks in the South on issues ranging from environmental sustainability concerns, through macroeconomic policy issues, to human capacity problems. For example, the Unit has supported networks on biosystematics in Asia, the Pacific and East Africa, which are documenting and sharing expertise in the identification and classification of micro-organisms, insects and nematodes in the various regions. Similarly, it has responded to the renewable energy needs of many Asian countries through support to the Network on Small Hydropower Development, located in Hangzhou Province, China.

7. A significant intervention in the area of health care has involved support to the Regional Prevention of Maternal Mortality Network, headquartered in Ghana. The Network serves both as a repository and a provider of knowledge and experience of effective methodologies for measuring and reducing deaths caused by complications during pregnancy and childbirth. The Network has successfully helped reduce maternal mortality in 11 rural communities in Ghana, Nigeria and Sierra Leone. Efforts are under way to replicate these experiences in Kenya, Uganda, the United Republic of Tanzania and other sub-Saharan countries.

8. Support to the South Asia Poverty Alleviation Programme has provided a forum for grass-roots community leaders to exchange experience and ideas on effective approaches in the mobilization of communities to fight poverty. The Programme has helped to disseminate information on poverty alleviation practices proved successful by organizations such as the Grameen Bank in Bangladesh; the National Rural Support Programme and the Orangi Pilot Project in Pakistan; the Hamanthota Women's Development Foundation in Sri Lanka; and the Working Women's Forum in India. Through training on a massive scale the programme has helped to create a cadre of social organizers and grass-roots activists who catalyse change agents in efforts to eradicate poverty.

9. In support of production and employment, the Special Unit has assisted a technology management centre of the Organization of Eastern Caribbean States, which aims to strengthen linkages among southern centres of excellence in enhancing the economic profile of the region. The network brings together a wide range of stakeholders, including universities, research and development institutions, government agencies, the business community, and non-governmental organizations, to develop innovative approaches to increase productivity, diversify employment opportunities and improve competitiveness in response to globalization. The Special Unit has also supported the launching of the Microfin Africa Network, headquartered in Senegal, which facilitates the sharing of experience in microfinancing and micro-enterprises and has helped to create financing opportunities for small business ventures run by women.

10. Given that external interventions can succeed only where they converge with national development policies and plans, the Special Unit has collaborated with various partners to facilitate South-South exchanges on macroeconomic policy formulation and management. For example, in conjunction with the UNDP Country Office in Cuba, the Regional Bureau for Latin America and the Caribbean, and the Government of Norway, the Unit has supported macroeconomic policy initiatives

for the recovery of the Cuban economy. With the support of Brazil, Chile and Mexico, the capacities of key Cuban macroeconomic policy entities, including the Ministry of the Economy and Planning, the Ministry of Finance, the Ministry of Labour and the Central Bank are being strengthened. The Unit also sponsored a project aimed at creating an Internet-based mechanism for technical cooperation among municipalities of Latin America and the Caribbean so that participating local authorities could enhance their capacities to design and implement policies, programmes and projects to mitigate poverty, manage environmental conditions, and increase production and employment, including the development of frameworks that involve urban women in investment ventures. Similar assistance has been given to countries of Eastern Europe and the Commonwealth of Independent States in efforts to draw on the experience of developing countries in other regions - notably Argentina, Brazil, Colombia, Malaysia, Peru, the Philippines, Uruguay and Singapore - in strengthening their management and organizational skills to consolidate the political, economic and social reforms they have launched.

11. Considerable progress has been made by the Unit in facilitating interregional exchanges through the framework of TCDC. In collaboration with the Government of Malaysia, the Development Bank of Malaysia and the Japan Development Bank, the Unit sponsored a 10-day training course on credit analysis and development finance for selected middle-level managers in the financial sector of 10 African countries. A similar programme supported by the Unit focused on policy-related training in East Asian economic development for mid-level Eastern and Southern African professionals drawn from the civil service, academia, the media and the private sector, along with young scholars and potential policy makers in these subregions. Further, the Special Unit supported the United Nations University in Tokyo and the African Economic Research Consortium in Nairobi in a collaborative policy research programme on various experiences in both Asia and Africa. The programme focused on the adaptation to Africa of successful Asian models of export-oriented industrialization, and the management of financial flows, aid, and external debt.

12. The Barbados Programme of Action for Sustainable Development of Small Island Developing States (SIDS-POA) provides a framework through which the Special Unit has endeavoured to respond to the development challenges shared by a large number of small island developing States (SIDS). As the designated focal point responsible for coordinating the UNDP follow-up to the implementation of the SIDS-POA, the Special Unit has supported a number of initiatives in regard to SIDS, including the preparation of a Small Island Development States Technical Assistance Programme (SIDSTAP), the assessment of unmet technical cooperation needs and priorities in the various SIDS regions and the launching of a pilot SIDS Information Network (SIDSNET). A key objective is to make the information relevant to the development of SIDS more accessible via the Internet. The Unit's support has also helped to improve national and institutional capacities in the implementation of the Barbados Programme of Action through training at the International Labour Organization Turin Centre for SIDS regional training institutions, as well as through the compilation of a directory of SIDS experts and institutions. Moreover, the Unit, in collaboration with the African Development Bank (AfDB) and the Organization of African Unity, supported the July 1998 Ministerial Meeting of the SIDS in the

Indian, Mediterranean and Atlantic Oceans, which generated the Mahe Declaration and Programme of Action. The Mahe Declaration outlines measures for closer cooperation among participating countries and for the effective implementation of the Barbados Programme of Action.

13. The Special Unit joined a consortium of development partners in supporting the work of the West African Rice Development Association (WARDA), in the crossbreeding of Asian and African rice. The project has developed high-yielding rice species having the capacity to suppress weeds and withstand drought, pests, diseases and other environmental stresses. Initial tests indicate 20 to 25 per cent increase in yield and a shorter growing cycle of 90 to 110 days compared to traditional species, which take 130 to 160 days to mature. With the planned distribution of some 120 tons of the hybrid seeds, the project promises to boost rice production and food security throughout Africa and other parts of the world.

IV. POLICY DIALOGUE, INTELLECTUAL EXCHANGES AND PARTNERSHIP-BUILDING

14. In an effort to foster South-South policy dialogue, the Unit in 1998 transformed the magazine, Cooperation South, into a development journal to provide a platform for development experts, academicians and activists to share, analyse and debate development practices and policy options of relevance to the South. The journal will continue to be published semi-annually in English, French and Spanish with a distribution of over 30,000 to organizations and individuals mainly in developing countries but also in industrialized countries.

15. To advance South-South dialogue on private-sector-led development the Special Unit supported the Group of 77 and China in organizing the South-South Conference on Trade, Finance and Investment, held in San Jose, Costa Rica, from 13-15 January 1997. The Conference identified possibilities and strategies for accelerating the pace of economic cooperation in these sectors. It brought together key leaders in the private sector and non-governmental organizations from the 132 member countries of the Group of 77, as well as relevant international organizations. Reaching out to non-traditional development partners, the Unit also sponsored the participation of a group of 140 young entrepreneurs from 65 member countries. Educating young entrepreneurs about their responsibilities, opportunities, and the technical tools available to them provided an opportunity to rejuvenate South-South cooperation by opening dialogue with the emerging generation of skilled managers and socially responsible leaders.

16. In collaboration with the South Centre and the Third World Network, the Unit was able to provide developing countries with analysis and policy options for their effective integration into the global economy. The activities supported included a number of orientation seminars on the World Trade Organization (WTO) process and related issues for the Geneva-based Southern negotiators, and the publication of a monograph entitled WTO Multilateral Trade Agenda and the South.

17. The Special Unit also provided support to the Group of 77 in their efforts to define what countries in the South can do collectively to improve their development opportunities in the twenty-first century. In this regard, the Unit supported a high-level expert meeting held on 10 and 11 August 1998 in Jakarta, Indonesia, to prepare for a South-South Summit as agreed by the Group of 77 at its Annual Ministerial Meeting earlier in the year. The South-South Summit, scheduled to take place in 2000, is expected to enable Southern countries to develop a broad strategic framework for development in the new millennium. The Unit also supported a high-level meeting held in Bali, Indonesia, to discuss measures for strengthening regional and subregional groups of developing countries. The meeting explored channels for direct cooperation among such groupings as the Association of South-East Asian Nations, the Caribbean Community, the Market of the Southern Cone, the Economic Cooperation Organization, the South Asian Association for Regional Cooperation, the Southern African Development Community and the Economic Community of West African States. Further, the Unit worked closely with the Group of 77 in organizing a brainstorming session, in September 1998 in New York, in preparation for the Conference of Parties to the Kyoto Protocol that subsequently took place in Buenos Aires, in November 1998.

V. MEASURES TAKEN TO BROADEN SOUTH-SOUTH CHANNELS OF COMMUNICATION AND THE SHARING OF BEST PRACTICES

18. The Unit has retooled the old Information Referral Services system, turning it into an Internet-based global information service on TCDC, accessible at http://www.undp.org/tcdc/tcdc.htm. The new system, now called Information Referral Services - Web of Information for Development (INRES-WIDE), provides a gateway through which interested parties can instantaneously tap into detailed information on 18,000 training programmes and 12,000 expert services offered by some 4,000 institutions in developing countries. The system also opens the way for Southern development stakeholders to exchange information about their respective programmes and capacities, using a powerful search engine and a common electronic platform. Transcending the old system, which was limited to diskettes, the new database can be accessed directly from computer terminals anywhere in the world.

19. The new system also provides a channel through which interested parties can learn about innovative development experiences that can be adapted for use in other developing countries. Users will be able to search through a large menu of best practices that are being compiled in collaboration with leading institutions in various sectors such as agriculture, food security, environment, health, housing, poverty alleviation, science, and technology. In addition, the Special Unit has provided computer training and connectivity to more than 10 National Focal Points for TCDC, assisting them to establish home pages on the Internet. The expanded system will enable these entities to share calendars of events, hold open discussion forums, and link up to other relevant Web sites.

20. In collaboration with the UNDP country office in Venezuela, the World Bank Economic Development Institute, and the Inter-American Development Bank, the Unit supported an initiative to identify, describe, and disseminate successful poverty reduction practices in 10 Latin American countries. The project has

published and disseminated 100 case studies of successful partnerships among Governments, civil society organizations and the private sector collaborating in such areas as the financing of low-cost housing, micro-enterprise development, and non-formal and informal education. To ensure widespread access to this information, a book entitled Working Together for a Change was published, and a Web page, http://www.alianzas.org, has been created on the Internet. The same project helped create a network of over 50 academic/research organizations and organized over 20 training courses and seminars for them on poverty reduction.

VI. MEASURES TAKEN TO STRENGTHEN STRATEGIC PARTNERSHIPS, POLICY COHERENCE AND THE COORDINATION OF SUPPORT TO TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES IN THE UNITED NATIONS SYSTEM

21. In 1998, the revised version of the Guidelines for the Review of Policies and Procedures concerning Technical Cooperation among Developing Countries, prepared by the Unit in accordance with decision 10/2 of the High-level Committee on the Review of Technical Cooperation among Developing Countries, were endorsed by the Economic and Social Council in its decision 1998/284 and noted by the General Assembly in its resolution 52/205. This provides a clearer baseline for a more coordinated approach to TCDC among the organizations and agencies of the United Nations system.

22. The report of the Secretary-General assessing TCDC over the past 20 years was also prepared by the Unit, in keeping with General Assembly resolution 52/205 of 18 December 1997. The report incorporates a number of recommendations endorsed by the General Assembly at its fifty-third session that can significantly foster socio-economic progress in the South through further integration of TCDC and ECDC into the operational activities of the entire United Nations system.

23. In further effort to facilitate the integration of South-South cooperation into programmes supported by UNDP, the Administrator requested resident representatives in November 1997 to "ensure that UNDP responds effectively to the various decisions of the UNDP Executive Board, the High-level Committee on the Review of Technical Cooperation among Developing Countries, the Economic and Social Council and the United Nations General Assembly, by adopting specific measures to intensify support for TCDC". The strategy outlined by the Administrator called for: (a) mainstreaming the TCDC modality in all programmes and projects of UNDP; (b) according high priority to the TCDC modality in programmes and projects supported by UNDP; and (c) maintaining the leading role of UNDP in the use of TCDC and South-South cooperation within the United Nations system.[2]

24. Following the New Directions Strategy, the Special Unit has carried out the initial identification of developing countries that are willing and able to serve as catalysts for TCDC. At a meeting hosted by the Government of Chile in November 1997, 23 developing countries agreed to take the pivotal role of spearheading the advancement of the TCDC process within their respective regions. This arrangement, welcomed by a number of Member States, promises to involve more partners in the catalytic process of fostering TCDC. It could also

facilitate increased flows of technical exchanges from more advanced to less developed countries of the South in a mutually beneficial manner.

25. In keeping with the decision of the General Assembly at its fifty-second session, the Special Unit organized the celebrations to mark the twentieth anniversary of the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries in September 1998. The Unit used the event as a unique opportunity to mobilize increased support for the TCDC process throughout the United Nations system. The Deputy Secretary-General and representatives of Member States who spoke at the Special Commemorative Meeting of the General Assembly stressed the renewed relevance of TCDC in the context of efforts needed to enable developing countries to participate gainfully in the emerging global economy. At a high-level panel convened the same day to discuss TCDC in the new millennium, the Administrator of UNDP stressed the importance of TCDC in the context of globalization. Similarly, there was extensive discussion on South-South cooperation during the triennial policy review of the operational activities, which led the General Assembly, in its resolution 53/192, to, inter alia, "request [ ] the executive boards of the funds and programmes to review, with a view to considering an increase, the allocation of resources for activities involving technical cooperation among developing countries" (part II, E, 1, para. 43).

VII. EXECUTIVE BOARD ACTION

26. The Executive Board may wish to:

1. Take note of the utilization of the resource allocation for technical cooperation among developing countries as a means of expanding global partnership and the capacity of developing countries to participate effectively in the emerging global economy;

2. Welcome the efforts of the United Nations Development Programme and the Special Unit to promote policy dialogue, foster South-South exchanges, expand channels of communication and for designing and implementing a results-oriented programme of technical cooperation among developing countries;

3. Request UNDP, to take steps to implement the revised Guidelines for the Review of Policies and Procedures concerning Technical Cooperation among Developing Countries and the recommendations contained in the Report of the Secretary-General on strengthening the integration of economic and technical cooperation among developing countries in the operational activities of the United Nations system (A/53/226/Add.4);

4. Request UNDP to take measures to respond to paragraph 43 of General Assembly resolution 53/192 of 15 December 1998, in which the General Assembly "request[ed] the executive boards of the funds and programmes to review, with a view to considering an increase, the allocation of resources for activities involving technical cooperation among developing countries" (part II, E, 1).

Notes

[1] Special Unit for Technical Cooperation among Developing Countries, "New Directions for Technical Cooperation among Developing Countries", p. 1.

[2] Letter to resident representatives, 12 November 1997.

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UNITED NATIONS OFFICE FOR PROJECT SERVICES

ANNUAL REPORT OF THE EXECUTIVE DIRECTOR ON THE ACTIVITIES OF THE UNITED NATIONS OFFICE FOR PROJECT SERVICES

SUMMARY

The present report and the statistical summary (DP/1999/22/Add.1) are submitted pursuant to Executive Board decision 94/32 of 10 October 1994. UNOPS has exceeded its 1998 financial targets and has operated in accordance with the self-financing principle. The report also describes actions taken with regard to implementation of the 1998 UNOPS Business Plan. Internal oversight issues are addressed in DP/1999/22/Add.2.

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I. INTRODUCTION

1. The present report has been prepared in compliance with Executive Board decision 94/32 of 10 October 1994, in which the Board requested the Executive Director to report annually on the activities of the United Nations Office for Project Services (UNOPS).

2. As mandated in decision 95/1 of 10 January 1995, the report has been reviewed and cleared by the Management Coordination Committee (MCC).

3. The 1999 UNOPS Business Plan, distributed to members of the Executive Board at the annual session 1998, establishes the targets against which performance is assessed in the present report.

II. FINANCIAL PERFORMANCE

4. For the past two years, the UNOPS portfolio has been divided into two categories: (a) the project portfolio, for which UNOPS handles the funds entrusted by its clients and incurs project expenditures and (b) the "services-only" portfolio, where expenditure of project funds is incurred by parties other than UNOPS. While in both instances the fees arecalculated to cover costs, income derived from the project portfolio is usually a percentage of the amounts spent on behalf of UNOPS clients, whereas the income earned on the services-only portfolio is expressed as a dollar amount. As seen in figure 1, the value of the total UNOPS portfolio grew from $3.2 billion in 1997 to $3.5 billion in 1998 (an increase of 9.4 per cent). This includes $763 million of new acquisitions for the project portfolio and $284 million for the services-only portfolio. Accordingly, total acquisition in 1998 has crossed the $1 billion threshold for the first time in UNOPS history.

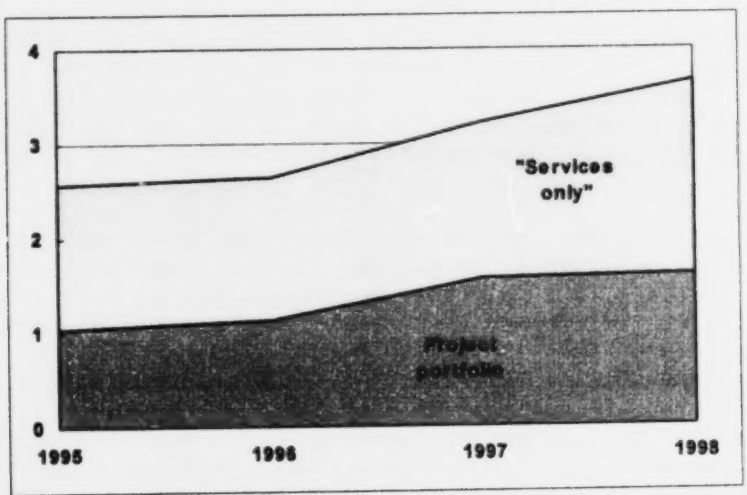

Figure 1. UNOPS portfolio composition (in billions of dollars)

5. The composition of the project portfolio acquired in 1998 shows a number of new developments. Projects funded from UNDP core resources decreased by

nearly $90 million or 22 per cent as compared to the previous year. However, newly acquired management services agreements (MSAs), under arrangements signed by UNDP with a range of funding sources, grew from $150 million in 1997 to $250 million in 1998. Most notably, projects carried out on behalf of non-traditional clients from the United Nations system now rank higher in the UNOPS portfolio: their value rose from $12 million in 1997 to $38 million in 1998. The portfolio acquisition with clients other than UNDP reached $67 million in 1998 (figure 2).

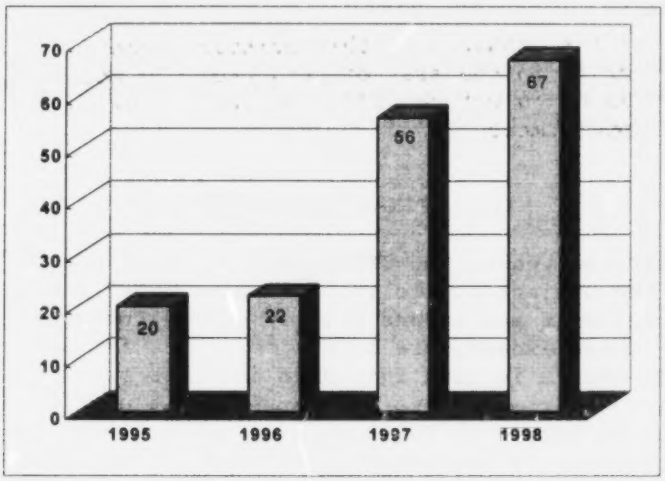

Figure 2. Portfolio acquisition from entities other than UNDP (in millions of dollars)

6. These figures reflect the fact that UNOPS has been more successful than in previcus years in diversifying its client base. New United Nations clients using UNOPS services for the first time in 1998 include the Department for Political Affairs, the Department for Peace-Keeping Operations, the Office of the High Commissioner for Human Rights and the Office of the High Commissioner for Refugees. These are clients whose mandates go beyond the area of development cooperation. During 1998, UNOPS also diversified its product base further. Projects involving building, construction and engineering have risen significantly. Other new service offerings are described in paragraphs 34-37 below.

7. As shown in figure 3 on the following page, total delivery rose by 16 per cent in 1998. The target for delivery had been set at just over $700 million for 1998, a level never before reached by UNOPS. By the end of the year, total delivery stood at $713 million, comprising $538 million for the project portfolio and $175 million for disbursement authorizations processed for IFAD-funded projects. These results compare with delivery targets set in the 1998 Business Plan of $550 million for the project portfolio and $158 million for the services-only portfolio, totaling $708 million. Overall, this performance translates into a delivery rate of 101 per cent.

8. In 1998, UNOPS continued to provide a significant and increasing volume of services to nationally executed projects, both for UNDP and otherUnited Nations clients. Demand for such services went from $48 million in 1997 to $120 million in 1998 (up 150 per cent). In contrast to the trend observed with

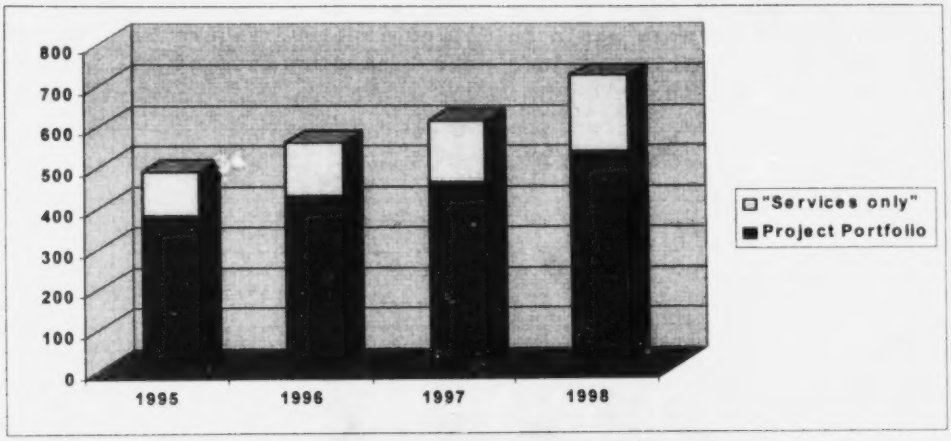

Figure 3. UNOPS delivery (in millions of dollars)

regard to UNDP core resources in general, UNOPS delivery in nationally executed projects financed from UNDP core resources increased by 55 per cent as compared with the previous year. Delivery within projects under national execution rose from $27.5 million in 1997 to $43 million in 1998 (figure 4) and is expected to be much higher in 1999.

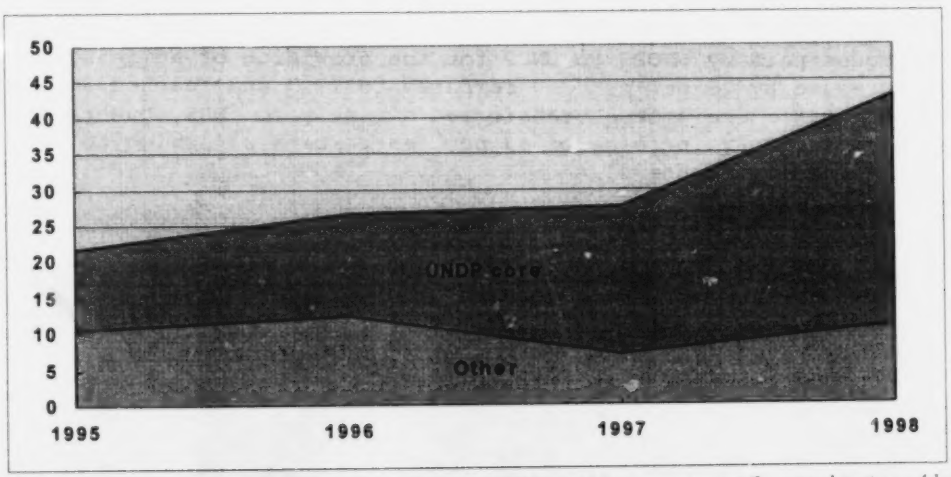

Figure 4. UNOPS delivery under nationally executed projects (in millions of dollars)

9. While the target for income had been set at $44.5 million for 1998, actual income for the year amounted to $49 million, distributed as follows: $44 million for the project portfolio; $4 million for services-only; and $1 million of other income. The income derived from sources other than UNDP rose to more than $8 million, or a share of 16 per cent of total UNOPS income. This figure is expected to be significantly higher in 1999, when much of the newly acquired portfolio from new clients will have been delivered. Administrative expenditures, projected at $45 million for 1998, stood at $41 million by the end of the year. Even considering the extraordinary, non-recurrent expenses incurred for the Integrated Management Information System

(IMIS)/Year 2000 (Y2K) transition of UNOPS information systems and the need to replenish the operational reserve (see paragraph 11), the requirements of the self-financing principle were again fulfilled in 1998 (figure 5). The results of the 1998 financial exercise yield a self-financing rate of 111 per cent, compared to 106 per cent in 1997.

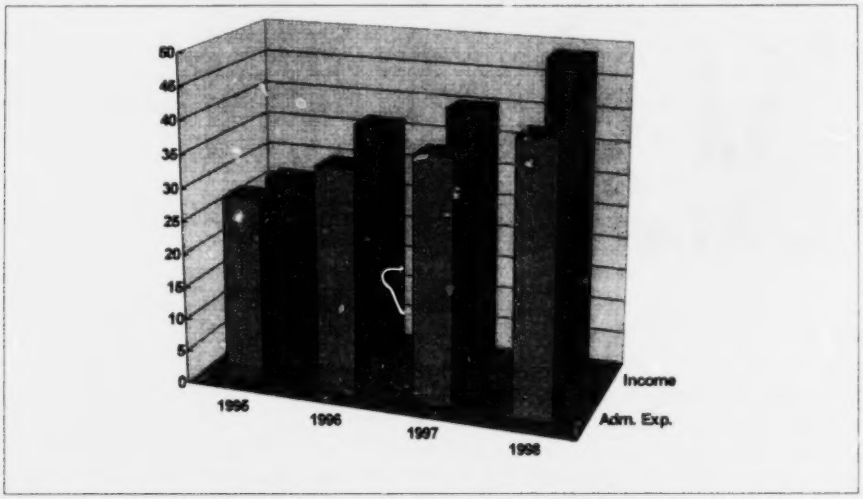

Figure 5. Income and administrative expenditure (in millions of dollars)

10. The amount paid by UNOPS to UNDP for the provision of administrative services increased by 25 per cent as compared to 1997 and reached $6.3 million by the end of 1998. The amount transferred directly to UNDP country offices showed an even stronger increase of 43 per cent. Data referring to 1997 and 1998 are contained in figure 6.

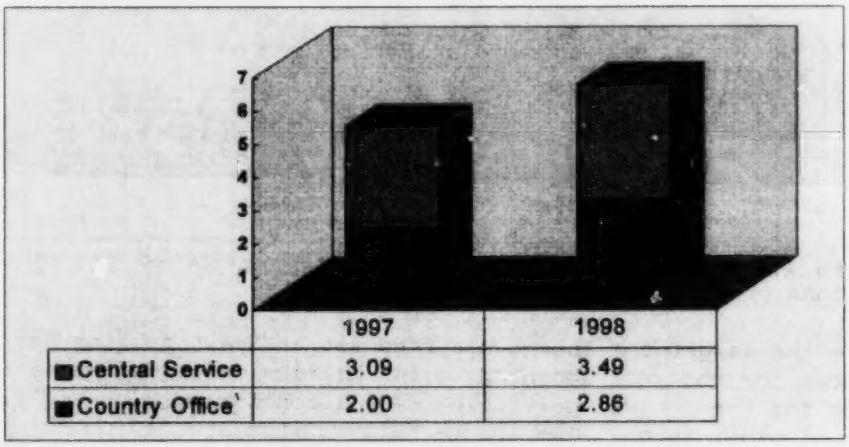

Figure 6. Amounts paid to UNDP from UNOPS income for administrative services rendered (in millions of dollars)

11. The guidelines established by the Executive Board for the operational reserve would have required bringing the level of the reserve from $20 million in 1997 to $23 million in 1998. However, in its decision 98/20 of

23 September 1998, the Executive Board authorized that the one-time non-recurrent expenditures UNOPS has to incur in 1999 for information systems and the relocation of its headquarters offices could be financed from a drawdown on the operational reserve to the extent that this would be necessary. The Executive Director therefore proposes to incorporate the 1998 cash balance of $5 million in toto into the operational reserve. This will enable the restoration of the prescribed level of the reserve earlier than anticipated in last year's budget submission (figure 7).

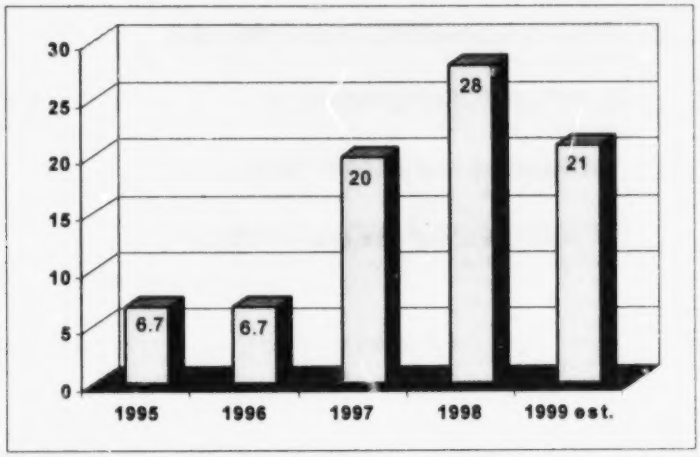

Figure 7. Movement of the UNOPS operational reserve (in millions of dollars)

12. Since its inception, UNOPS has monitored the administrative overhead rate, representing administrative costs incurred for project services rendered. This variable was seen as one of the indicators of competitiveness that the Executive Board had specified at the time of the establishment of UNOPS. As in previous years, the average overhead rate has remained below seven per cent (figure 8).

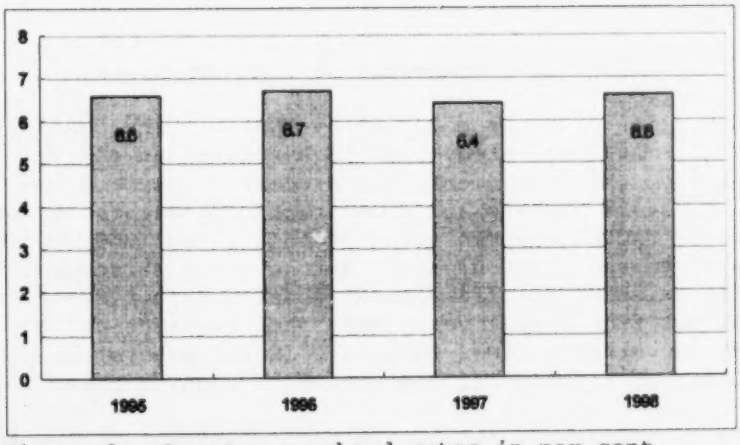

Figure 8. Average overhead rates in per cent

13. The financial performance of UNOPS in 1998 again came very close to the targets that had been set for the year in the 1998 Business Plan. Important thresholds that were crossed in 1998 for the first time include the $1 billion mark for acquisition, the $700 million mark for delivery, and the 100 per cent mark for the delivery target. Financial performance relative to the 1998 Business Plan targets is summarized in figure 9.

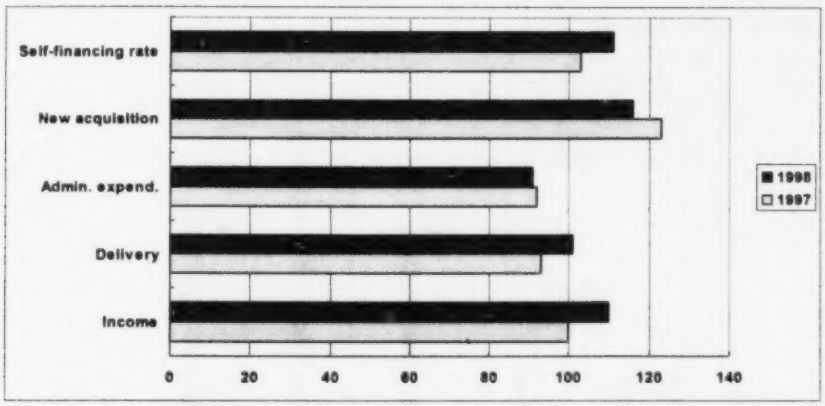

Figure 9. 1997 and 1998 performance as a per cent of Business Plan targets

III. REVIEW OF THE NON-FINANCIAL OBJECTIVES OF THE BUSINESS PLAN

A. Re-tooling key automated systems

14. UNOPS has moved aggressively to implement the activities projected for 1998 in the Business Plan and updated in the 1998 annual report of the Executive Director. Pursuant to decision 98/16 of the Executive Board, UNOPS established and filled the post of Chief Information Officer, heading the new Information Technology/Information Systems Division (IT/IS) and under whose management all information systems activities are now being carried out. Activities in 1998 focused on three principal areas, each reported on separately below.

1. Integrated Management Information System

15. The United Nations IMIS, as modified by UNDP, is the centrepiece of the near-term UNOPS information strategy. UNOPS has taken an active role in the joint UNDP/UNFPA/UNOPS IMIS implementation process. A team of implementation managers, analysts, staff members and consultant/contractors has been put in place to support the UNOPS implementation of IMIS. The IMIS implementation process has been of considerable urgency, as the joint strategy called for replacement of the existing mainframe-based general ledger system with IMIS Release 3 with effect from fiscal year 1999. Achievements to date include:

(a) UNOPS converted to IMIS Release 2 (Entitlements) on schedule in August 1998 and without significant disruption to ongoing human resources activities;

(b) UNOPS participated actively in the definition of the IMIS Release 3 reference tables in a manner that will permit UNOPS, UNFPA, Trust Funds, and UNDP (under direct execution modalities) to gather transaction

detail from country offices that will permit project reporting directly from data contained within IMIS;

(c) UNOPS assisted in the Release 3 system testing carried out by UNDP;

(d) UNOPS has contributed to the crosswalk and conversion processes that will ensure that the 1998 year-ending balances from the mainframe general ledger map accurately to IMIS 1999 beginning balances, essential for financial control and audit purposes;

(e) UNOPS played a key role in the coordination and implementation of IMIS Release 3 training for UNDP, UNFPA, and UNOPS. A training centre was established on UNOPS project team premises and UNOPS provided an IMIS training coordinator to oversee planning and scheduling of staff training for all three organizations. Professionally filmed videos of all training courses have been made for use in follow-up and in ongoing training activities. UNOPS staff took full advantage of the training opportunities, with 261 staff members taking a total of 1,264 formal training courses. UNOPS also organized division-by-division problem-solving sessions aimed at bringing IMIS out of the classroom and onto the individual desktop. The UNOPS Help Desk, an 8-person hotline and an IMIS web site are being set up to support the full production use of IMIS;

(f) Detailed security profiles have been established for each UNOPS staff member. User access to IMIS will be based on the association of these profiles with the training records of each staff member;

(g) Interface teams dealing with the outside-of-IMIS systems, including the Funds Control System (FCS), Inter-Organization Voucher System (IOV), and the UNOPS procurement software (Reality) are in place and at work building the electronic interfaces between these systems and IMIS. All are scheduled to be completed on or before the middle of 1999;

(h) UNOPS, working with the United Nations IMIS development team, has put in place a pilot technical platform that may enable UNOPS decentralized offices to gain on-line access to IMIS. A joint United Nations/UNDP/UNOPS test plan and security audit will be completed in the second quarter of 1999.

16. Overall, UNOPS has been quite successful in catching up on the IMIS project without causing notable disruption to ongoing UNOPS work, as evidenced by the organizational performance documented elsewhere in the present report. There is still cause for concern, however:

(a) While IMIS Release 3 was originally scheduled to go into production for 1999 transactions in early January 1999, it is unlikely to be in full production use in New York before early April. This delay has been advantageous in that it has allowed for a more thorough conversion process and additional time for training: however, a considerable backlog of 1999 transactions has been accumulated. The clearing of this transaction backlog is expected to affect second-quarter delivery activities;

(b) Complete project reporting from IMIS is dependent upon the successful gathering of data from UNDP country offices although the means for this to be accomplished are not expected to be complete until the middle of the year. Consequently, UNOPS expects delayed or incomplete project reporting during the first half of 1999.

17. In addition to assuming an active role in the IMIS implementation, UNOPS has also taken part in the IMIS Common Services Working Group, which is developing a multi-organization approach to long-term IMIS governance.

2. Y2K

18. While the conversion from the non-Y2K compliant mainframe general ledger system to IMIS Release 3 deals with the area of greatest vulnerability for UNOPS, there are numerous concerns still pending with regard both to hardware platforms, including the desktop, and other software systems. UNOPS has appointed a Y2K Manager, who is developing and overseeing implementation of a Y2K strategy that is based on industry guidelines and the suggestions of various United Nations groups, including the External Auditors and the Information Systems Coordination Committee (ISCC). Current plans call for completion of most non-IMIS validation and testing activities by the beginning of the fourth quarter 1999.

3. IT/IS relocation support

19. By the end of September 1999, UNOPS must be relocated to new office premises (paragraphs 46-48). IT/IS has been working closely with the office relocation team to ensure that there are no disruptions in the information systems area when the relocation takes place. In addition, careful attention has been given to such issues as electrical wiring, cabling, computer room design, and connectivity to outside services, including UNDP and Internet service providers. The intent is to guarantee uninterrupted information services and to establish a forward-looking technology base that will meet UNOPS needs for most of the lease period. Various scenarios are currently being developed and costed that will provide alternatives when deciding whether to move existing information systems equipment to the new premises or to upgrade all or part of the platform. Any financial implications of these activities will be presented in the UNOPS budget submission at the third regular session of the Executive Board.

4. Other

20. In 1998, UNOPS became a participant in the ISCC, a subsidiary organ of the Administrative Coordination Committee (ACC).

B. Business development strategy

21. Client diversification continues as the centrepiece of UNOPS business development strategy and is a key concern of the MCC. Concluding a lengthy search, UNOPS appointed a Business Development Coordinator who will support business development and oversee linkage of marketing plans with the UNOPS Business Plan. As may be noted from the financial performance section of the present report, UNOPS is making significant gains both in the number of clients it is serving and in the volume of business represented by these clients.

22. The Business Plans of each operations division (the basic building blocks of the overall UNOPS Business Plan) have been the key element in business diversification thus far. Divisional plans have focused attention on identifying and developing new business opportunities within the geographical, thematic, or service orientation of the division. This grass-roots approach has yielded positive results, notably in areas such as mine action, post-conflict rehabilitation, and the services-only sector.

23. The services-only sector is an area with further growth opportunities,

as evinced by a number of UNOPS clients having expressed interest in such services. An example of this is the African Development Bank, which has requested a proposal from the UNOPS Abidjan Office for loan supervision services in West Africa.

24. Another dimension of the UNOPS business development strategy is the identification of new service offerings, some of which are discussed in paragraphs 34-37 below.

25. UNOPS will continue to invest in the refinement of its business development strategy. The MCC has also expressed the opinion that UNOPS must continue investing in the development of new business. In order to assess the magnitude and nature of the investments required, a business development audit will be conducted by the Business Development Coordinator in the second quarter of 1999. Any significant investment amounts relating to business development will be included in the budget documents submitted at the third regular session 1999.

C. Refined fee-setting

26. UNOPS is paid for its services in several ways. Most UNDP-funded projects are subject to the administrative and operational services (AOS) rate while other services are compensated on the basis of negotiated fees that are intended to recover the actual cost of providing the services. The need to identify true costs is critical to successful diversification since the pricing of services is a factor not only of competitiveness but also for ensuring that UNOPS remains economically viable and continues to function in accordance with the self-financing principle.

27. An added dimension derives from the fact that UNOPS itself contracts for the provision of various services, including from UNDP country offices and UNDP and United Nations headquarters. Improved transparency in the compensation rates for these arrangements will permit UNOPS to evaluate better whether UNOPS and its clients are receiving value for money.

28. As foreseen in the 1998 Business Plan, a consultant has been contracted to revise and upgrade the current computer-aided system for workload assessment and costing. The upgrade will take into account the new working processes introduced as a result of the internal reform carried out in 1996 and 1997 and will include provisions for determining the cost of implementation services that may be subcontracted to country offices. It is expected that pilot testing of the new methodology will be concluded by the third quarter of 1999.

D. Organizational growth and decentralization strategy

29. Since 1995, the principal mechanism UNOPS has employed to build consensus on organizational growth and direction strategies for the business planning process is the annual retreat of senior managers. The 1998 retreat was originally scheduled for last quarter of the year; however, in order to meet delivery expectations, particularly in view of disruptions anticipated for IMIS training, the retreat was rescheduled to March 1999. It was agreed during that retreat that the growth and organizational development strategy (including decentralization)would concentrate on five areas:

(a) Client diversification;
(b) Assessment and strengthening of corporate competencies;
(c) Management and leadership training for all staff levels;
(d) Regularization of administrative and legislative issues pending from the establishment of UNOPS; and
(e) Further evolution of organizational structure and behavior.

30. Working groups were established to ensure follow-up on each of the strategic areas.

E. Staff development and training

31. The Human Resources Management Section, established in June 1997, has continued in 1998 to restructure its work processes in order better to meet the demands resulting from an increased business volume and to strengthen further the concept and implementation of integrated teams. In late 1998, it was decided to decentralize further the functions relating to the hiring of international project personnel to offices away from headquarters. On a pilot basis, the Geneva Office was given authorization to hire international staff on contracts for activities of limited duration (ALD). UNOPS anticipates further decentralization of the recruitment and administration of ALD staff when a new ALD management information system is implemented in 2000.

32. UNOPS completed a review of guidelines governing the use of contracting tools such as the special services agreement (SSA) and the reimbursable loan agreement (RLA), used primarily for procuring international services, as well as the service contracts, used for the hiring of local project personnel. Comprehensive revised guidelines for these types of contracts have been developed and will be implemented in 1999, bearing in mind the primary objective of achieving value for money in an efficient and expeditious manner.

33. In the area of staff development, UNOPS has continued to pursue the principle of "upward feedback" by introducing a 360 degree feedback mechanism as a tool for the further strengthening of the leadership skills of senior managers. At the same time, through a climate assessment exercise involving all UNOPS staff, information has been collected on the level and type of staff development needs, and a working group has been created to formulate a comprehensive training policy and programme.

IV. UPDATE ON ONGOING MATTERS

A. New service offerings

34. In 1998, UNOPS provided management and other support services to the United Nations Association of the USA (UNA-USA) for its "Adopt-A-Mine-Field" activity. This was done through the first MSA signed by UNDP and a non-governmental organization (NGO) under financial regulations and rules applicable to both UNDP and UNOPS. UNA-USA promotes programmes funded by private donors to clear plots identified in mine action projects and programmes sponsored by the United Nations, UNDP or the host government. The UNOPS Mine Action Unit provides all information required for project selection and implements the demining activities in accordance with internationally agreed-on standards. This first-time activity with an NGO sets a unique precedent for passing on individual contributions of corporate and private

donors to United Nations bodies for the implementation of important project activities.

35. UNOPS was also requested by the United Nations Mine Action Service (UNMAS) of the Department of Peacekeeping Operations to provide publishing and printing services for its public information programme. While small in value, this operation is significant in that it draws upon UNOPS internal support units to provide services responding to new demands of UNOPS clients.

36. In another example illustrating the potential of internal UNOPS service units to meet client needs, UNOPS has increasingly been requested to provide substantial administrative services in the area of international personnel. These requests are significant in that they represent a stand-alone activity, rather than a component of a project or programme managed by UNOPS. Much of the UNOPS expertise in this area is, however, concentrated in the headquarters-based Human Resources Management Section. UNOPS hopes to conclude agreements that will use the expertise from this internal service unit to meet client needs in a manner more akin to a traditional operations unit.

37. UNOPS developed a new service modality referred to as reimbursable services agreements (RSAs). Under the RSA, UNOPS services are provided from the UNOPS administrative budget, for which it is reimbursed prior to actual expenditure in accordance with a schedule of payments agreed with the requesting government. UNOPS does not receive or manage the financial resources involved but rather provides service inputs on a reimbursable basis. For example, UNOPS entered into an RSA under its regulations and rules to provide financial monitoring services to one Government to support utilization of financing made available by another Government. This innovation in providing reimbursable services is intended to help UNOPS to provide flexible responses to emerging development needs.

B. Procurement of goods and services

38. In its debate on the UNOPS annual report for 1997 (DP/1998/24), members of the Executive Board requested the Executive Director to report on salient trends in the procurement of goods and services. The present section responds to that request.

39. A breakdown of 1998 implementation from the project portfolio is provided in figure 10 on the following page. As will be noted, project personnel, services and works, and goods and equipment each represent approximately 30 per cent of delivery.

40. UNOPS recruited 6,331 experts, consultants and national professionals in 1998. The share of project personnel from developing countries has continued to rise (figure 11 on the following page). The share of female project personnel increased from 12.4 per cent in 1997 to 18.4 per cent in 1998. During the reporting period, national professionals made up 55 per cent of project personnel recruited.

41. In the area of contracts for services and works, the options for awarding contracts are contractors of developing countries, of donor countries and in particular of underutilized major donor countries (UMDCs), NGOs, and

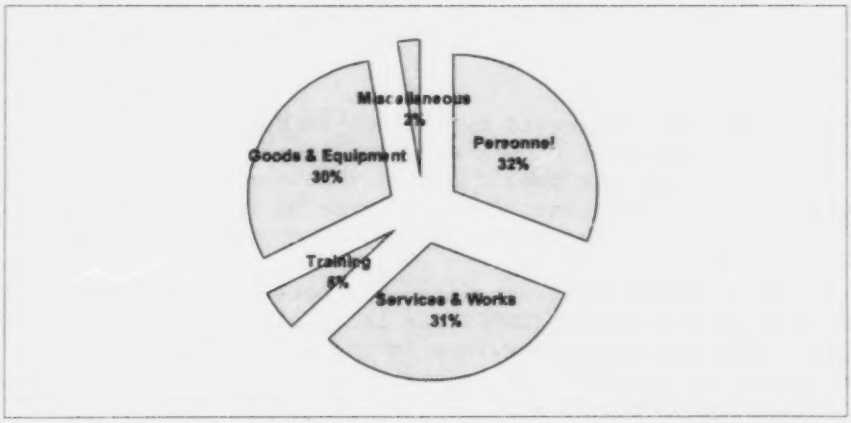

Figure 10. UNOPS project portfolio delivery by component

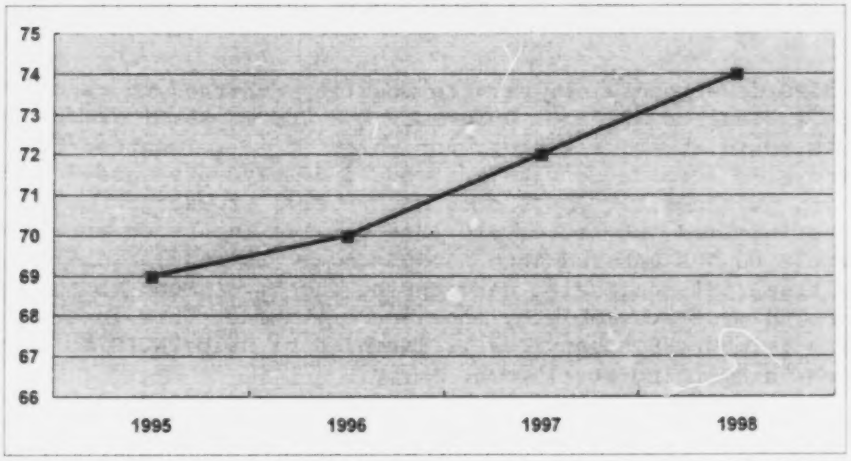

Figure 11. Share of UNOPS project personnel recruited from developing countries (in per cent)

international institutions. As shown in figure 12 on the following page, the shares of these groups have shifted from 1997 to 1998 as follows: UMDCs have maintained a low share of slightly over 4 per cent; international institutions improved theirs from 8 per cent to 9 per cent; contractors from donor countries in general registered a reduction from 30 per cent to 16 per cent; the share of NGOs rose from 19 per cent to 24 per cent; and contractors from developing countries improved their share from 36 per cent to 47 per cent.

42. Work carried out by the UNOPS Training and Transfer of Knowledge Through Expatriate Nationals (TOKTEN) Services Section has seen a dramatic increase. The Section provided training services to more than 15,000 individuals in 1998, up from less than 5,000 in the previous year (figure 13 on the following page). The number of female trainees also rose to over 6,000 in 1998, or 44 per cent of the trainees administered from headquarters. With 95 per cent, trainees from the Africa region held a preponderant share in training.

43. UNOPS purchases of goods and equipment totaled $163 million in 1998. Inthis area, three categories of countries are kept under periodic review:

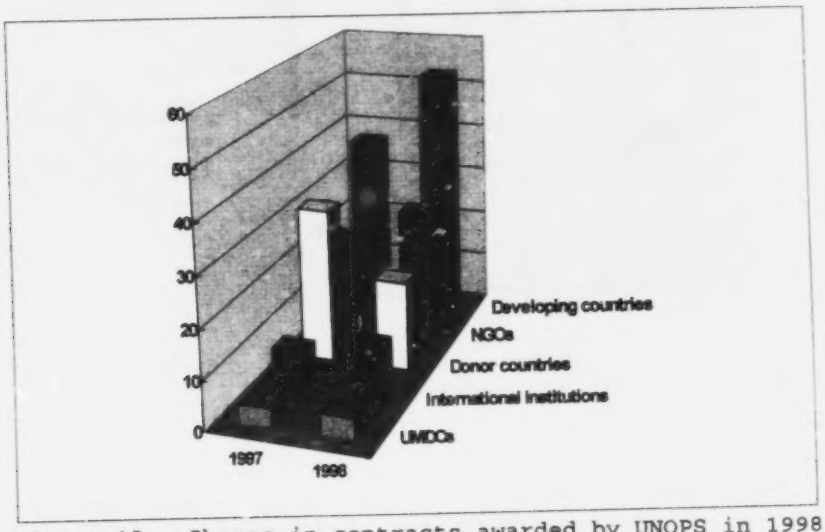

Figure 12. Shares in contracts awarded by UNOPS in 1998 (in per cent)

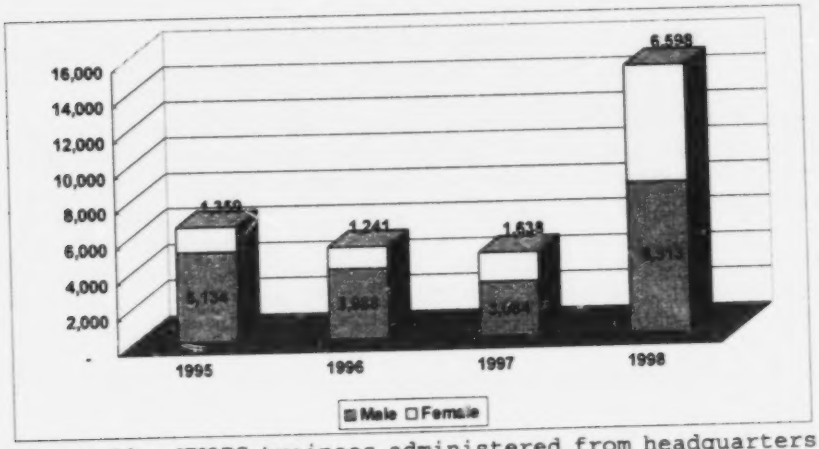

Figure 13. UNOPS trainees administered from headquarters

developing countries, UMDCs, and other donor countries. Their shares in goods and equipment purchased in 1998 are shown in figure 14 on the following page.

44. In contrast with the other procurement sectors, total international goods and equipment procurement dropped below 1996 levels with a smaller share going to developing countries. In this regard, there are several factors that are worthy of note:

(a) A growing amount of goods procurement that was previously carried out by UNOPS is now taking place through locally executed projects, and as such does not enter into the UNOPS project portfolio. The decrease in total UNOPS goods procurement and in developing country share of total procurement

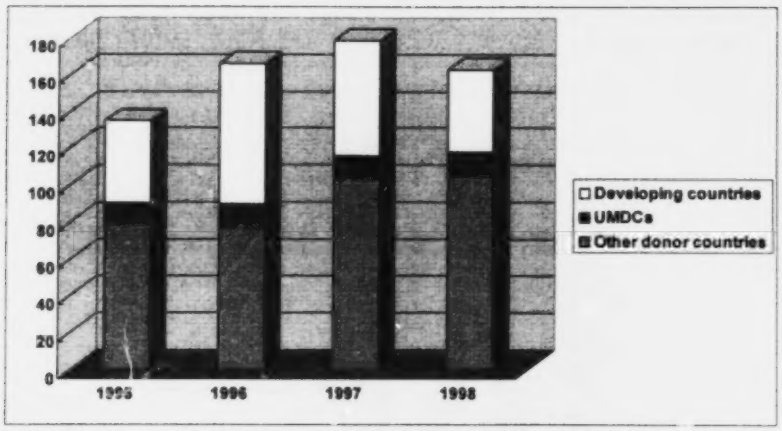

Figure 14. 1998 procurement of goods and equipment by country groups (in million of dollars)

is related to this trend;

(b) The goods procurement that is coming to UNOPS is increasingly of a highly technical or complex nature, for instance in the area of ozone-depleting replacement equipment, which is the commodity type showing the largest increase in 1998;

(c) While the donor country overall share has remained stable, a much more diverse and growing number of other donor countries are involved in that share than has traditionally been the case, moving from 0.3 per cent of all procurement in 1997 to 17.1 per cent of total procurement in 1998.

45. UNOPS is demand-driven and is committed to value-for-money procurement; it consequently has limited influence over the country distribution of selected vendors. That notwithstanding, UNOPS will continue in its efforts to broaden the base of participation in its procurement activities. In this regard, some useful suggestions have been put forward in a recent report of the Joint Inspection Unit on UNOPS, circulated to the Executive Board for its consideration of document DP/1999/25. UNOPS takes this challenge seriously and will continue applying its ability to innovate in this direction.

C. Update on the headquarters relocation project

46. As previously reported to the Executive Board, UNOPS must relocate to new office space prior to October 1999. The unexpected relocation is taking place in an especially tight real estate market, with escalating rent levels and conditions generally favouring landlords in the negotiation of lease terms. The UNOPS response to this challenge has been conditioned by three basic considerations: the application of UNOPS project management expertise to its own relocation; the obtainment of best value in the current market; and concluding the process on schedule. Achievements to date include:

(a) The Relocation Project Team has been assembled, headed by the former chief of the Division for Procurement Projects. The Relocation Project Team established a timetable of key actions and identified through competitive processes the specialized expertise it would require for each step;

(b) With the assistance of a tenant broker, UNOPS conducted a thorough review to identify all relevant available commercial office spaces in the

United Nations catchment area. More distant possible sites were also considered to determine whether economic and design advantages might outweigh the loss of proximity, which, however, was not the case;

(c) Negotiations were undertaken with regard to six relevant sites. Comparative evaluation of the financial and non-financial aspects of each of them resulted in the identification of a preferred site providing the best value for UNOPS. That site - the Chrysler Building - is the only one able to accommodate UNOPS on two floors. Three of the other sites have since been leased to other tenants; only the two least desirable sites remain on the market;

(d) A lease has been signed for 53,500 carpetable square feet in 76,000 rentable square feet. UNOPS has obtained favorable financial and other conditions for the current market, including landlord acceptance of requirements that are specific to United Nations agencies. UNOPS was assisted in the lease negotiations by the United Nations Office of Legal Affairs and specialized outside real estate counsel;

(e) UNOPS will design and construct the new space so as to provide an office environment in its new location that will, at the same time, support its work processes, project its forward-looking, business-like image, facilitate future adjustments as requirements change, and provide a healthy work environment with the best air circulation and access to daylight for all staff. The UNOPS architect has developed detailed design options based on extensive internal discussion. A supplier of furniture systems has been selected through a "best-value" competitive procurement exercise, resulting in both high quality and relatively low cost for UNOPS.

47. UNOPS has competitively obtained quality expertise in engineering, construction management and other specialties. UNOPS expects to relocate on time and within budget. The Relocation Team has and will continue to manage the project to seek financial savings without loss of value to UNOPS.

48. The successful application of the UNOPS project management expertise to its own relocation demonstrates the strength of its general approach: internal management expertise, utilizing quality specialized expertise obtained competitively on the market, with the participation of the parties to be affected by the actions under consideration.

D. Decentralization

49. As planned, the UNOPS Abidjan Office was officially opened in January 1998. This Office is handling the services-only portfolio for West African countries and has also begun implementation of activities being transferred to it from the project portfolio heretofore managed by the Africa Division in New York. Based on delivery from its own portfolio and from those projects being transferred to it, the Abidjan Office was self-financing in its first year of operation, having reached a level of project delivery of $14 million, and producing an income from services-only and project delivery of $2 million.

50. Subsequent to authorization by the MCC, negotiations took place in 1998 with the International Fund for Agricultural Development (IFAD) and the Food and Agriculture Organization of the United Nations (FAO) with a view to establishing a UNOPS office in Rome. Agreement was reached with FAO for locating the office in FAO headquarters and the formal Memorandum of Understanding was signed with FAO in January 1999. The purpose of this

agreement is to strengthen collaboration between FAO and UNOPS by consultation, coordination of efforts, mutual assistance and joint actions in fields of common interest. The UNOPS Rome Office is expected to provide loan administration services for the services- only portfolio on a world-wide basis. In 1999, project supervision for the services-only portfolio in the North Africa and Near East region will also be shifted to the Rome Office.

E. First resident representatives meeting

51. In October 1998, the UNOPS Asia Office organized its first workshop of UNDP resident representatives in their capacity as Representatives of UNOPS. The workshop was attended by resident representatives of the Asia and the Pacific region and the Assistant Administrator and Regional Director of UNDP/Asia and Pacific. At the end of the two-day sessions, participants agreed on the opportunity to further cooperation between UNDP and UNOPS in the region in the context of the following mission statement: "To build a strategic alliance to provide the best sustainable human development services to a country from conception to delivery, based on the comparative advantage of each partner, taking into account efficiency, effectiveness and relevance". Participants also identified a number of concrete issues that they encountered in day-to-day interaction between the two organizations, many of which have since been resolved. In light of the success achieved with the first workshop, UNOPS intends to replicate the positive experience in other regions.

V. HURDLES

52. While implementation of the 1998 Business Plan was largely successful, there are a number of areas where progress was slow or where unexpected difficulties were encountered.

A. Unfinished business relating to the UNOPS transition

53. When UNOPS was established on 1 January 1995, it carried with it a large backlog of tasks required to operationalize fully the transition from an organizational unit of UNDP to its new status as a separate entity. One third of the first UNOPS Business Plan was in fact devoted to these transitional tasks, some of which were simple and some of which were complex. Step by step, the new organization has successfully accomplished these tasks, including such important ones as concluding a Letter of Understanding with UNDP, the construction of a dedicated procurement regime, and the establishment of a comprehensive approach to risk management. Two key areas of unfinished business remain: the finalization of the UNOPS Financial Rules, and the delegation of authority in personnel matters. On both of these crucial topics, UNOPS has deemed it prudent to build a base of experience before defining a plan of action.

54. With regard to the Financial Rules, the Executive Board may recall that UNOPS has chosen to employ the UNDP Financial Rules, mutatis mutandis, until such time as the UNDP Financial Regulations, to which UNOPS Financial Regulations are an annex, are themselves updated. UNOPS continues to be able to work within this arrangement and proposes no changes at this time.

55. With regard to the delegation of authority in personnel matters, UNOPS is now delivering one third of its project portfolio ($168 million in 1998) in

the procurement of services from experts, consultants and national professionals. To meet the quality and quantity demands of a business segment of this size, UNOPS has also reorganized and professionalized its human resources functions around the Human Resources Management Section. UNOPS realizes that the principal challenge in its provision of personnel-related services lies in its ability to respond promptly and efficiently to clients' needs. To do so, UNOPS must be able to develop and apply, within the overall parameters of the United Nations common system, innovative contracting tools suited to UNOPS requirements. In that connection, in order to regularize operating procedures in the personnel area based on four years of experience, UNOPS has concluded that it is time to implement Executive Board decision 94/32 of 10 October 1994, which provides for a broad delegation of authority in personnel matters to be issued by the Secretary-General to the Executive Director.

56. The delegation would formalize those functions already being carried out by UNOPS, including the authority to appoint and promote staff members and to terminate their contracts; to determine the entitlements of staff members to allowances and benefits; to impose disciplinary measures on matters relating to the conduct of UNOPS business; to review administrative decisions; and, as appropriate, to approve exceptions to the staff rules. In order to enable UNOPS to provide a full range of project services, including in the area of personnel, the delegation must include formal authority for UNOPS to issue letters of appointment for its staff members. This will allow UNOPS to provide personnel-related services of a quality similar to those it already provides when contracting with companies, for which the dedicated UNOPS procurement regime has proven its value.

B. Competitive bidding

57. In 1998, the UNOPS portfolio of management services projects in support of the loans of international financial institutions (IFIs) was $122 million. A decision by IFIs either to continue engaging United Nations specialized agencies as sole source providers of MSAs or to open this process to competitive bidding could have a significant impact on the ability of UNOPS to make further inroads into this market segment.

58. UNOPS has in several instances responded to bidding requests from governments. Bidding can be advantageous to a government in that it allows for a comparison of services, costs and benefits. For UNOPS, it requires managers to make a more detailed advance analysis of what needs to be done for the government.

59. UNOPS participated in one such World Bank bidding exercise in 1998. In order for UNOPS to maintain its search for alternative markets, it will continue to respond selectively to government requests that UNOPS participate in bidding exercises. UNOPS is aware that there are costs associated with bidding processes, both for those that succeed and those that do not. Consequently, UNOPS views this as an area of investigation that will be used selectively in circumstances where UNOPS determines that it has a strong comparative advantage and where the probability of success is high and/or when the bidding costs are low.

C. Financial arrangements with the United Nations Secretariat

60. The continued absence of standard modalities for transferring funds from the United Nations Secretariat to UNOPS for the execution of activities entrusted to UNOPS remains an obstacle to continued diversification. The mechanisms that would allow for the timely transfer of funds remain as originally proposed to the United Nations Secretariat, after review in the MCC, but progress continues to be made only on a case-by-case basis.

D. Agreements with UNDP

61. Progress in 1998 towards transparency in the definition and costing of administrative services obtained by UNOPS from UNDP was slow, in part owing to the preoccupation of key staff members in both organizations with the IMIS implementation. In any event, the shared use of IMIS is expected to have a direct impact on the type and cost of administrative services provided and will in and of itself stimulate renewed interest in the review.

VI. INTERNAL OVERSIGHT

62. UNOPS continues the practice established in the annual report of the Executive Director for 1997 of including a report on internal audit and oversight activities (DP/1999/22/Add.2). This report is in response to the request of the Executive Board at its second regular session of 1996 (see document E/1996/33, part two, page 109, paragraph 255) and includes information previously contained in the annual report of the Administrator to the Executive Board.

VII. AFTERWORD

63. In only four years, UNOPS has developed tools and business practices that have enabled it to live up to the goals established by the Executive Board at the time of its creation. It has proven that an entirely self-financing organization can survive and grow within the framework of the United Nations, without benefit of a captive market or of subventions. Attitudes of skepticism and reserve among other organizations of the United Nations system are gradually yielding to recognition and respect. In the 1998 version of the book "Basic Facts About the United Nations", published by the United Nations Department of Public Information, UNOPS is introduced to the public as a member of the "United Nations family of organizations" and is included as one of the principal bodies of the United Nations.

64. In his 1998 annual report to the General Assembly, the Secretary-General included a section dedicated to UNOPS with the heading "Project Services". His report states that "UNOPS functions like a business, yet in its operations it fully respects the values embodied in the Charter of the United Nations. It is now an important means for outsourcing inside the United Nations system". This highlights the potential gains that organizations of the United Nations system can obtain by outsourcing to a general contractor from within the United Nations system that has developed the capacity to bring the methods of the private sector to the pursuit of the goals of the United Nations system.

VIII. EXECUTIVE BOARD ACTION

65. The Executive Board may wish to:

(a) Take note of the report of the Executive Director of the United Nations Office for Project Services (DP/1999/22), further noting that the Office continues to operate successfully in accordance with the self-financing principle;

(b) Endorse the issuance by the Secretary-General of a broad delegation of authority in the area of personnel, in accordance with Executive Board decision 94/32 of 10 October 1994, including the authority for UNOPS to issue letters of appointment.